

SENATE BILL 576

N1, C1

6lr2586

By: Senator Jennings

Introduced and read first time: February 4, 2026

Assigned to: Judicial Proceedings

A BILL ENTITLED

1 AN ACT concerning

2 **Cooperative Housing Corporations and Condominiums – Emergency Use of**
3 **Reserve Funds**

4 FOR the purpose of providing that reserve funds of a cooperative housing corporation or
5 condominium may be used for purposes other than those specified in the funding
6 plan in an emergency and under certain circumstances; and generally relating to
7 cooperative housing corporations and condominiums.

8 BY repealing and reenacting, with amendments,
9 Article – Corporations and Associations
10 Section 5–6B–26.1(g)
11 Annotated Code of Maryland
12 (2025 Replacement Volume)

13 BY repealing and reenacting, with amendments,
14 Article – Real Property
15 Section 11–109.4(f)
16 Annotated Code of Maryland
17 (2023 Replacement Volume and 2025 Supplement)

18 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF MARYLAND,
19 That the Laws of Maryland read as follows:

20 **Article – Corporations and Associations**

21 5–6B–26.1.

22 (g) (1) The governing body of a cooperative housing corporation shall, in
23 consultation with a person identified under subsection (d)(1) of this section, develop a
24 funding plan to determine how to fund the reserves necessary under this section.

EXPLANATION: CAPITALS INDICATE MATTER ADDED TO EXISTING LAW.

[Brackets] indicate matter deleted from existing law.



- (i) The component method;
- (ii) The cash flow method;
- (iii) The baseline funding method;
- (iv) The threshold cash flow method; or
- (v) Any other funding method consistent with generally accepted rules.

20 (4) Reserves may be used for purposes other than those specified in the
21 funding plan **IN AN EMERGENCY** if [the]:

22 (I) THE funds are repaid to the reserve fund within 5 years after
23 their use; AND

1 11–109.4.

2 (f) (1) The governing body of a condominium shall, in consultation with a
3 person identified under subsection (e)(1) of this section, develop a funding plan to determine
4 how to fund the reserves necessary under this section.

5 (2) In developing the funding plan under this subsection, the governing
6 body shall select one of the following methods to achieve the reserve funding under this
7 section:

8 (i) The component method;

9 (ii) The cash flow method;

10 (iii) The baseline funding method;

11 (iv) The threshold cash flow method; or

12 (v) Any other funding method consistent with generally accepted
13 accounting principles.

14 (3) A funding plan developed under this subsection shall prioritize
15 adequate amounts for repair and replacement of common elements of the condominium
16 that are necessary for:

17 (i) The health, safety, and well-being of the occupants;

18 (ii) Ensuring structural integrity, such as roofing replacements and
19 maintaining structural systems;

20 (iii) Essential functioning, such as plumbing, sewer, heating, cooling,
21 and electrical infrastructure; and

22 (iv) Any other essential or critical purpose, as determined by the
23 governing body.

24 (4) Reserves may be used for purposes other than those specified in the
25 funding plan **IN AN EMERGENCY** if [the]:

26 (I) **THE** funds are repaid to the reserve fund within 5 years after
27 their use; AND

28 (II) **THE USE OF THE FUNDS IS APPROVED BY AN AFFIRMATIVE
29 VOTE OF AT LEAST TWO-THIRDS OF THE UNIT OWNERS IN GOOD STANDING IN THE
30 COUNCIL.**

4 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
5 October 1, 2026.